

SUMMARY OF SANTA BARBARA'S AFFORDABLE HOUSING PROGRAM

To participate in the City of Santa Barbara's Affordable Housing Program, homeowners accept responsibilities concerning the purchase, occupancy, refinancing and resale of their homes. This summary explains some of the major components of the City's "Grant of Preemptive Right: Resale Restriction Covenant and Option to Purchase" (GPR). This affordability control document clarifies participant owner's responsibilities. Depending on the property, the controls expire when an owner owns and occupies their property for 45-60 years.

Buyers of City affordable units may not own other real estate at the time of purchase or at any time during their ownership, and must earn less than the applicable income limits published by the U.S. Department of Housing and Urban Development (HUD). To verify eligibility, the City reviews in detail the potential buyer's financial documents. Buyers of 3 bedroom units must have 3 or more persons in their household.

The unit must be owner-occupied as a principal residence and cannot be rented without written City approval. Owners may rent out rooms *only if* they continue to occupy the unit full time.

Non-occupant cosigners are allowed for purchases of the City's affordable units, but they can only appear on title as 1% tenants in common. The owner-occupant also must pay at least 28% but not more than 40% of their own income towards housing expenses. These expenses include Principal + Interest + Taxes + Insurance/HOA dues. Down payment gifts by family members (up to the maximum amount of 20% of the purchase price) are allowed with a "gift letter".

The City must approve in writing all financing and refinancing. The City will generally approve a refinancing of the first mortgage loan if no additional cash is taken out other than the loan costs, and the terms of the new loan are more favorable than the old loan. In general, the Owner's total secured loans-to-value ratio should not exceed 75-80%, and no negative amortization loans or balloon payments are allowed.

To promote the integrity of the City's affordable housing program, the City has an option to purchase back a unit upon the seller's intent to sell, upon default of the GPR, or in the event of foreclosure. The City has the right to receive rents due or collected during the entire period the property is occupied in violation of any of the terms of the GPR.

To set the price upon resale, the price paid by the current owner is adjusted by the percentage increase (or decrease) in Area Median Income (AMI) during the period in which the Owner owned the Property. A mid-year adjustment may be allowed. Of course, there is no assurance that the past rate of increase will continue in the future.

Price increases *may be* allowed for eligible/approved property improvements made by the owner. Price increases are not allowed during any period that the Owner is in violation of the City's requirements.

This is intended as a **brief summary only**. For more complete and detailed information please read the GPR document. If you have questions or concerns, please call Deirdre Randolph, Housing Programs Specialist, City of Santa Barbara, at 564-5461.